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RUEHBO/AMEMBASSY BOGOTA 3911
RUEHBR/AMEMBASSY BRASILIA 7799
RUEHBS/AMEMBASSY BRUSSELS 0710
RUEHBU/AMEMBASSY BUENOS AIRES 5044
RUEHCV/AMEMBASSY CARACAS 2278
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C O N F I D E N T I A L LA PAZ 000559

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STATE FOR WHA/AND LPETRONI
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TREASURY FOR SGOOCH

E.O. 12958: DECL: 02/28/2017
TAGS: [EMIN](#) [EINV](#) [ECON](#) [PREL](#) [PGOV](#) [BL](#) [SZ](#)
SUBJECT: GLENCORE GETS THE SILENT TREATMENT

REF: LA PAZ 410

Classified By: Ecopol Counselor Andrew Erickson for reason 1.4 (c).

SUMMARY

¶1. (C) The GOB appears to have adopted the silent treatment after its February 9 nationalization of the Vinto tin smelter (reftel), ignoring overtures from Swiss-owned Glencore International and refusing to answer requests for dialogue. A Glencore representative said February 26 that executives expect no immediate change; they plan to continue their push for negotiations while simultaneously preparing a case for international arbitration. Smelter operations continue, but at reduced volume. End summary.

THE SILENT TREATMENT

¶2. (C) GOB officials appear to have adopted the silent treatment after the Morales administration's February 9 nationalization of the Vinto tin smelter (reftel), ignoring overtures from Swiss-owned Glencore International and refusing to answer requests for dialogue. The GOB received a February 16 diplomatic note from the Swiss embassy and a February 22 letter from Glencore; both urged negotiations, and both were ignored.

¶3. (C) Luis Felipe Hartmann, Vice President of Industrial and Community Relations for Sinchi Wayra, Glencore's wholly owned

Bolivian subsidiary, told Econoff February 26 that company executives expect no immediate change; they plan to continue their push for negotiations while simultaneously preparing a case for international arbitration. Hartmann said he expected Glencore to be able to build a strong argument, as the GOB failed even to follow constitutionally sanctioned procedures for nationalizing privately owned properties; instead of declaring the move in Bolivia's national interest, the GOB cited irregularities in the 1999 privatization of the tin smelter and used resulting "economic damage" to justify the government's decision to take control.

DECLINING VOLUME

¶4. (C) Smelter operations continue, but at reduced volume. Hartmann noted that even before the nationalization, Vinto ran at only 65 percent capacity, largely due to insufficient raw material; today, two weeks after the takeover, the complex is running at just 50 percent capacity. Cash flow problems have inhibited managers' ability to pay suppliers on delivery, and reluctance to accept delayed payments has led many suppliers to withhold raw materials. According to Hartmann, the smelter's monthly tin production will fall from an estimated 900 metric tons in December to approximately 700 metric tons in February, with output falling still further in the future. Vinto's 450 employees continue to work, but top-level management changes have already begun to threaten operations, as the new general manager is reportedly a low-level engineer with little technical expertise or management experience.

COMMENT

¶5. (C) Glencore may wish to make a good-faith effort to establish dialogue, but it seems unlikely the GOB will respond favorably, at least in the near term. Hartmann acknowledged that the Morales administration could authorize additional confiscations of Glencore properties but said GOB talk of monopolizing tin sales was more worrying, as the action would severely inhibit Glencore's ability to operate its mines. For now, the firm will likely continue to urge dialogue, and the GOB will likely continue the silent treatment. End comment.

GOLDBERG